

Message Text

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73

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TO SECSTATE WASHDC 3397

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TAGS: EGEN, ETRD, EFIN, TZ

SUBJ: TANZANIAN BUDGET FY 74

1. SUMMARY: TANGOV BUDGET PROVIDES FOR 19.5 PER CENT INCREASE IN RECURRENT EXPENDITURE WITH BIG GAINERS BEING DEFENSE, EDUCATION, AGRICULTURE AND HEALTH. DEVELOPMENT EXPENDITURES UP ABOUT 500 MILLION SHILLINGS TO 1,660.3 MILLION SHILLINGS, 62 PER CENT OF WHICH WILL COME FROM FOREIGN SOURCES. TOTAL DEVELOPMENT AND RECURRENT EXPENDITURES EQUAL 4,273 MILLION SHILLINGS, AN INCREASE OF 27 PER CENT OVER FIGURE FOR FY 73. REVENUE TO MEET INCREASED EXPENDITURE TO BE RAISED BY INCREASING TAXES ON CIGARETTES, BEER, SPIRITS, FUEL, SOFT DRINKS, TEXTILES, AND A NUMBER OF LICENSING AND OTHER FEES, AND BY IMPOSING EXPORT TAXES ON COTTON AND TOBACCO. TANGOV ALSO STREAMLINING OWN INTERNAL TAXATION SYSTEM BY ABOLISHING NUMBER OF PETTY TAXES (BICYCLES, HAWKERS LICENSES, ETC.) AND PRIMARY SCHOOL FEES. EFFECT OF LATTER MOVE ON EDUCATIONAL SYSTEM HERE UNPREDICTABLE BUT LIKELY TO BE TROUBLESOME. END SUMMARY.

2. MINFINANCE MSUYA ANNOUNCED 4,273 MILLION SHILLING BUDGET TO PARLIAMENT AFTERNOON JUNE 14. RECURRENT EXPENDITURE ROSE
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19.5 PER CENT OVER PREVIOUS YEAR' S FIGURE TO 2,613 MILLION SHILLINGS. DEFENSE RECURRENT EXPENDITURE WILL RISE BY OVER 50 PERCENT TO LEVEL OF 221 MILLION SHILLINGS (8.9 PER CENT OF TOTAL RECURRENT EXPENDITURE). MINISTRIES OF AGRICULTURE (WITH LARGE EXPENSE FOR COFFEE BERRY DISEASE ERADICATION) AND EDUCATION AS WELL AS INCREASED CONTRIBUTION TO DEVELOPMENT BUDGET ACCOUNTED FOR BULK OF OTHER INCREASES.

3. DEVELOPMENT BUDGET EXPENDITURES WILL RISE BY ABOUT 500 MILLION SHILLINGS TO 1,660.3 MILLION SHILLING LEVEL. FOREIGN SOURCES INCLUDING THOSE FOR TAZARA RAILROAD WILL PROVIDE ABOUT 62 PER CENT OF THIS TOTAL.

4. ALLOWING FOR FIVE PER CENT NATURAL GROWTH RATE IN ECONOMY, TANGOV HAD TO FIND 182 MILLION SHILLINGS IN NEW REVENUE TO MEET THESE INCREASED EXPENDITURES. WHILE INCREASING CERTAIN TAXES, GOVERNMENT TOOK OPPORTUNITY TO STREAMLINE PRESENT TAX COLLECTION SYSTEM. ALSO, IN CONJUNCTION WITH COMMUNITY PARTNERS, GOVERNMENT MADE CERTAIN CHANGES IN CUSTOMS DUTY LEVIES.

5. BY WAY OF INCREASING REVENUE, FEES WERE RAISED ON PASSPORTS, FIRE ARMS LICENSES AND AIRPORT AND PORT SERVICES. SALES AND EXCISE TAXES WERE INCREASED HEAVILY ON CIGARETTES, BEER, SPIRITS (INCLUDING LOCALLY- PRODUCED KONYAGI), SOFT DRINKS, CHIBUKU (MAIZE BEER), A VARIETY OF TEXTILES, BOTH IMPORTED AND LOCALLY- PRODUCED, AND BOTH GASOLINE AND DIESEL FUEL. EXPORT TAXES WERE ALSO INCREASED ON COTTON AND TOBACCO.

6. CUSTOMS DUTIES WERE INCREASED BY ALL THREE OF THE EAST AFRICAN COMMUNITY (EAC) STATES TO PROTECT THE PRODUCTION OF TANZANIAN FERTILIZER AND KENYAN PAPER PLANTS. CUSTOM EXEMPTIONS GRANTED TO TANGOV MINISTRIES AND EAC ON CERTAIN CATEGORIES OF GOODS WERE REVOKED IN EFFORT FORCE THESE AGENCIES PURCHASE GOODS OF EAST AFRICAN ORIGIN.

7. BY FAR MOST POPULAR PART OF BUDGET SPEECH WAS ANNOUNCEMENT OF STREAMLINING OF LOCAL TAX COLLECTION. THIS LARGELY AMOUNTED TO ABOLITION OF NUMBER OF TAXES ON GROUNDS THAT EXPENSES OF ADMINISTRATION NOT JUSTIFIED BY SMALL AMOUNT OF REVENUE GENERATED. ANNUAL MOTOR CAR LICENSES, SALT TAX, HAWKERS LICENSES, LOCAL LIQUOR LICENSES, BICYCLE LICENSES, ENTERTAINMENT TAXES ON EVERYTHING BUT CINEMAS AND NIGHT CLUBS AND A NUMBER OF LOCAL ADMINISTRATION TAXES HAVE ALL BEEN ELIMINATED. GOVERNMENT ALSO ABOLISHED PRIMARY SCHOOL FEES.

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MENT TAXES ON EVERYTHING BUT CINEMAS AND NIGHT CLUBS AND A NUMBER OF LOCAL ADMINISTRATION TAXES HAVE ALL BEEN ELIMINATED. GOVERNMENT ALSO ABOLISHED PRIMARY SCHOOL FEES.

8. COMMENT: BUDGET CONTAINS FEW SURPRISES. REGRETTABLE THAT TANGOV CONTINUES TO LIMIT CASH INCENTIVES TO PRODUCTIVE FARMERS IN ALREADY- STAGNANT EXPORT CROP SECTOR, BUT THIS CON-

SISTENT WITH ITS SOCIAL/ ECONOMIC PHILOSOPHY. ABOLITION OF
PETTY TAXES AND PRIMARY SCHOOL FEES WIDELY POPULAR. TREASURY
SPOKESMAN IN PRESS BACKGROUNDER SAID LATTER DECISION TAKEN PER-
SONALLY BY PRESIDENT NYERERE WHO CURRENTLY ON TOUR IN SOUTHERN
PART OF COUNTRY. DURING THIS TRIP PRESIDENT FOUND PRIMARY
SCHOOLS WITH UP TO 40 PER CENT VACANCIES; LARGELY, HE DECIDED,
BECAUSE OF PEASANTS' INABILITY TO MEET SCHOOL
FEES. EVEN IN EDUCATION HUNGRY KILIMANJARO REGION SOME
SCHOOLS REPORTEDLY HAVE UP TO 10 PER CENT VACANCY RATE. IN
EFFORT PREVENT CREATION OF SCHOOL LEAVER PROBLEM ENDEMIC
ELSEWHERE TANGOV HAS AS MATTER OF POLICY PROVIDED FACILITIES
FOR ONLY ABOUT 50 PER CENT OF ESTIMATED ELIGIBLE PRIMARY SCHOOL

POPULATION. TANGOV APPEARS CONFIDENT THAT ABOLITION OF
FEES WILL NOT PRODUCE SWELL OF APPLICANTS WHICH WILL SWAMP
EXISTING FACILITIES. EMBASSY PREFERS TO WITHHOLD JUDGMENT
UNTIL JULY/ AUGUST REGISTRATION SEASON. AIRGRAM FOLLOWS.
END COMMENT.
CARTER

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